

SUBJECT: Waiver of the Host Country Contribution Requirement For Relatively Least Developed Countries

NEW MATERIAL: This Notice is a mandatory reference for ADS 350 on Grants to Foreign Governments and ADS 201 on Managing for Results. It supersedes former HB 3, App 2G, part E. Additionally, this Policy Notice supersedes the second notice re-issued in Interim Update #5 for Series 300, titled "Waiver of the Host Country Contribution Requirement For Relatively Least Developed Countries" dated September 18, 1996.

EFFECTIVE DATE: February 1, 1999

POLICY

USAID/General Notice
GC & PPC
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SUBJECT: Waiver of the Host Country Contribution Requirement for Relatively Least Developed Countries

Sept. 18, 1996; updated and effective 2/1/99

*This Notice is a mandatory reference for ADS 350 on Grants to Foreign Governments. It supersedes former HB 3, App 2G, part E. Additionally, this Policy Notice supersedes the second notice re-issued in Interim Update #9 for Series 300, titled "Waiver of the Host Country Contribution Requirement For Relatively Least Developed Countries" dated September 18, 1996.

A. Application of FAA 124(d).

1. Subsections (a) and (d) of FAA Section 124, Relatively Least Developed Countries, state:

"(a) Relatively Least Developed Countries (as determined on the basis of criteria comparable to those used for the United Nations General Assembly list of 'least developed countries') are characterized by extreme poverty, very limited infrastructure, and limited administrative capacity to implement basic human needs growth strategies. In such countries special measures may be necessary to insure full effectiveness of assistance furnished under this part." . . .

"(d) The President may on a case-by-case basis waive the requirement of section 110 for financial or 'in-kind' contributions in the case of programs, projects or activities in relatively least developed countries."

2. Section 124(d) provides that a waiver of the host country contribution requirement may be granted for a strategic objective (SO) program, results package, component or activity in a relatively least developed country (RLDC) on a case-by-case basis only. RLDCs which may be considered for a waiver of the FAA 110 cost-sharing requirement must be either on the United Nations General Assembly (UNGA) list of least developed countries, or on the Development Assistance Committee (DAC) list of "low income countries." (See Section B below.) The fact that a country appears on either list is not a sufficient justification for granting a waiver of the 25 percent recipient country contribution requirement. Nor is it the intent of Section 124(d) to permit the granting of a waiver in all instances, since to do so would negate the case-by-case approach. Thus, the granting of a waiver is permissible and reasonable whenever the initiation and execution of an otherwise desirable SO, results package (RP), component or activity in an RLDC is handicapped primarily by the 25 percent contribution requirement.

3. By ADS 103.5.8b paragraph 2e, AA/M has delegated to Assistant Administrators the authority to waive the requirement for host country contributions on a case-by-case basis for RLDCs, provided that waiver authority may not be further redelegated below the level of Mission Director or other principal officer of a USAID field post. AA/AFR, AA/ANE, and AA/LAC have delegated waiver authority to Principal Officers in ADS 103.5.11a, 103.5.12a, 103.5.14b. (For ENI, see ADS 103.5.13; since FAA 110 does not apply to funds made available under the SEED or Freedom Support Acts, waiver authority is not needed.)

Per decision of AA/M dated March 14, 1996, whenever the Principal Officer decides it appropriate to exercise this waiver authority in a given case, he/she shall initially decide the propriety of obtaining some host country contribution in an amount less than 25 percent, either of a financial or in kind nature. If he/she decides it is inappropriate, a memorandum of justification shall be prepared for the record. If, on the other hand, some contribution is considered appropriate and assurances are obtained for its receipt, a record shall be maintained of those assurances and the actual contribution of either a financial or in kind nature during the life of the activity.

4. To help determine when a waiver would be appropriate, the following considerations should be taken into account:

a. Financial Constraint

Financial constraint is important but is not a sufficient justification for granting a waiver. In assessing the validity of the financial constraint, overall budgetary performance, existing expenditure patterns, and development priorities of the host country should be considered. Recent World Bank and IMF analyses of a country's

financial performance may justify granting a waiver. Even where a waiver of the 25 percent contribution requirement may be justified, a determination must be made whether a lesser contribution would be appropriate.

b. Country commitment

Where a waiver is justified on financial grounds, other indications that a country is interested in a particular SO, RP or activity become more important. Willingness to contribute to the program, component, package or activity, even though to a lesser extent, and the importance attached to this type of program, package or activity in the country's development priorities, can be helpful indications of a country's interest. The USAID Mission Director or Principal Officer should consider whether there is sufficient country commitment to justify the granting of a waiver.

c. Nature of the Program

The nature of a particular SO, RP component or activity will be a significant factor in deciding whether a waiver would be granted. Where the success of an activity depends upon a country's willingness and ability to assume an appropriate share of the cost, a waiver might either not be justified or may be granted only if a lesser contribution is considered sufficient. On the other hand, there are a number of programs or activities where no country contribution needs to be required because their successful implementation can be expected to generate the necessary financial resources, other benefits and/or support -- thus providing reasonable assurance that the program or activity will be continued. Many pilot and demonstration activities are likely to fall into this category.

d. Phased Contribution

In some cases it may be desirable to combine the initial grant of a waiver of all or part of a country's contribution with a requirement for a gradually increasing contribution. This would allow the country to reorder its expenditure pattern, and perhaps raise additional revenues without delaying the implementation of the SO program, component or activity, while providing reasonable assurance that the recipient government will eventually assume the necessary share of expenditures in order to assure the success of the program, component or activity.

e. Other Factors

There may be other relevant considerations, such as how similar projects are funded by other bilateral donors.

B. List of Relatively Least Developed Countries.

A country may be considered a "relatively least developed country" if it appears either on the list of "least developed countries" of the United Nations General Assembly

(UNGA) or on the comparable list of "low income countries" of the Development Assistance Committee (DAC) of the OECD, as periodically amended.

Because the DAC list of low income countries ("LICs") includes all countries on the UNGA list of least developed countries ("LLDCs") plus other low income countries ("Other LICs"), for purposes of this guidance, "relatively least developed countries" shall refer to the DAC list of LICs. The reason for including "Other LICs" in the list of RLDCs below is that the DAC list corrects a defect in the UNGA list by adding countries which qualify as lesser developed based on the primary criterion of low per capita income. Although the UNGA uses a multi-factorial test to define "LLDCs," the UNGA criteria correlate highly with low per capita income. In addition, the exclusion from the UN list of certain countries solely on the basis of total population is not desirable. The entire DAC list, including LLDCs and Other LICs, is composed of countries selected on criterion comparable to the UNGA list, satisfying FAA 124(a) and (d), and is a better measure of RLDCs than the UNGA list alone. The following list of RLDCs is composed of all countries listed as "LLDCs" or "Other LICs" according to the periodic Report of the Development Assistance Committee, updated by PPC following the DAC methodology to make up for lags in the data base upon which the DAC list is based. Users may also refer to the periodically updated list of LLDCs and LICs published on the DAC's website, <http://www.oecd.org/dac/htm/dac1st97/htm>. Note: For the sake of consistency, countries for which FAA assistance may be limited or prohibited have not been deleted from this DAC list, since they vary from year to year, nor have countries within the ENI region been deleted, even though FAA 110 does not apply to them.)

Albania	Myanmar (Burma)
Afghanistan	Nepal
Angola	Nicaragua
Armenia	Niger
Azerbaijan	Nigeria
Bangladesh	Pakistan
Benin	Rwanda
Bhutan	Sao Tome & Principe
Bosnia & Herzegovina	
Burkina Faso	Senegal
Burundi	Sierra Leone
Cambodia	Solomon Islands
Cameroon	Somalia
Cape Verde	Sri Lanka
Central African Republic	Sudan
Chad	Tajikistan
China	Tanzania
Comoros Islands	
Congo	Togo
Cote d'Ivoire	Tuvalu
Djibouti	Uganda
Equatorial Guinea	Vanuatu

Eritrea
Ethiopia
Gambia
Georgia
Ghana
Guinea
Guinea-Bissau
Guyana
Haiti
Honduras
India
Kenya
Kiribati
Kyrgyz Republic
Laos
Lesotho
Liberia
Madagascar
Malawi
Maldives
Mali
Mauritania
Mongolia
Mozambique

Viet Nam
Western Samoa
Yemen
Zaire
Zambia
Zimbabwe

POINT OF CONTACT: For further information about this notice contact **Jan Miller, GC/LP, 202-712-4174.**

For further information about countries or areas on the list of RLDCs, contact Carolyn Karr, PPC/DP, 6.8-102 RRB, (202) 712-4777, ckarr@usaid.gov.

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